

**NEWFOUNDLAND AND LABRADOR  
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

**AN ORDER OF THE BOARD**

**NO. P.U. 34(2018)**

1 **IN THE MATTER OF** the *Electrical Power*  
2 *Control Act, 1994*, SNL 1994, Chapter E-5.1  
3 (the “*EPCA*”) and the *Public Utilities Act*,  
4 RSNL 1990, Chapter P-47 (the “*Act*”), as  
5 amended, and regulations thereunder; and  
6

7 **IN THE MATTER OF** an application by  
8 Newfoundland and Labrador Hydro for  
9 approval of capital expenditures to upgrade  
10 the Happy Valley-Goose Bay distribution  
11 system pursuant to section 41 of the *Act*.  
12  
13

14 **Background**

15  
16 On July 28, 2017 Hydro filed its 2018 Capital Budget Application which included a project to  
17 address both forecast capacity shortfalls and reliability issues on the Labrador East system.<sup>1</sup> In  
18 Order No. P.U. 43(2017) the Board deferred consideration of this project on the basis that the  
19 evidence did not demonstrate that it was necessary and consistent with the least-cost provision of  
20 service. Following the filing of additional information by Hydro the Board found in Order No.  
21 P.U. 9(2018) that further information was required before the proposed work in Labrador East  
22 would be approved. The Board acknowledged the reliability concerns in Labrador East for 2018-  
23 2019 and stated:  
24

25       Based on the record it appears that, despite the size of the forecast load increase relative to  
26 the existing loads on the system and the costs associated with addressing this increase,  
27 Hydro has not completed a comprehensive plan to address load growth and reliability on  
28 the Labrador Interconnected system. In particular Hydro did not demonstrate that it has  
29 explored options to manage load in the context of additional demand.<sup>2</sup>  
30

31       As part of the application for approval of such a significant project Hydro is required to  
32 demonstrate that it conducted appropriate planning for the system in a comprehensive  
33 manner which would include development of reasonable planning criteria, identification  
34 of needs on the system and assessment of reasonable alternatives. This planning must  
35 address both Labrador East and Labrador West as they are both part of the Labrador

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<sup>1</sup> The Muskrat Falls to Happy Valley Interconnection Project, 2018 Capital Budget Application, Volume I, page C-44

<sup>2</sup> Order No. P.U. 9(2018), page 8

1 Interconnected system. In addition, Hydro would be expected to address its obligation to  
2 provide least cost reliable service, considering the impact on existing customers of meeting  
3 new loads which may affect adequacy or reliability on the system.<sup>3</sup>  
4

5 The Board directed Hydro to file a proposed plan in relation to the provision of reliable service in  
6 Labrador East in 2018-2019 as well as a proposal in relation to the process and timelines for further  
7 consideration of the proposed Labrador East project.  
8

9 On April 16, 2018 and April 24, 2018 Hydro filed correspondence setting out its plan to ensure  
10 the provision of reliable service in Labrador East, which included a commitment to study  
11 alternatives to minimize customer impact should there be a loss of generation or transmission  
12 supply to the Happy Valley-Goose Bay distribution system.  
13

#### 14 **Application** 15

16 On August 3, 2018 Hydro filed an application for approval of capital expenditures in the amount  
17 of \$195,400, to upgrade the Happy Valley-Goose Bay distribution system (the “Application”).  
18

19 The Application explained that, as part of the Labrador East Reliability Plan, Hydro studied the  
20 alternatives to minimize customer impact should there be a loss of generation or transmission  
21 supply to the Happy Valley-Goose Bay distribution system. The Application proposals include the  
22 design, procurement, and installation of additional infrastructure to facilitate more effective  
23 grouping of feeders on the Happy Valley-Goose Bay distribution system. The Application  
24 submitted that the proposed installation of additional switches and a line extension/upgrade is  
25 necessary to ensure that Hydro can continue to provide service which is safe and adequate and just  
26 and reasonable as required by section 37 of the *Act*.  
27

28 The Application was copied to: Newfoundland Power Inc.; the Consumer Advocate, Dennis  
29 Browne, Q.C.; Hydro’s Island Industrial customers: Corner Brook Pulp and Paper Limited, NARL  
30 Refining Limited Partnership, Vale Newfoundland and Labrador Limited; the communities of  
31 Sheshatshui, Happy Valley-Goose Bay, Wabush, and Labrador City (the “Labrador Interconnected  
32 Group” or “LIG”); Iron Ore Company of Canada (“IOC”); Teck Resources Limited; and Praxair  
33 Canada Inc.  
34

35 On August 24, 2018 requests for information (“RFIs”) were filed in relation to the Application by  
36 the LIG and IOC. On August 27, 2018 Hydro submitted to the Board that eight of the nine RFIs  
37 submitted by the LIG were beyond the parameters and scope of the issues relevant to the  
38 Application. On August 31, 2018, the Board wrote to Hydro directing it to provide specific answers  
39 to each of the LIG RFIs.  
40

41 On August 31, 2018 Hydro filed its responses to IOC’s RFIs and LAB-NLH-003. On September  
42 5, 2018 Hydro filed its responses to the remaining RFIs. IOC filed comments, dated September 6,  
43 2018. On September 11, 2018 the LIG filed its comments. On September 14, 2018 Hydro filed its  
44 reply submission. No other submissions were filed in relation to the Application.

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<sup>3</sup> Order No. P.U. 9(2018), pages 8-9

## 1 **Submissions**

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3 IOC raised no objection to the capital budget proposals in the Application. IOC acknowledged that  
4 Hydro has engaged in a number of short and medium-term activities to maintain service over the  
5 coming winter, such as those described in the Application, but stated that it could not comment  
6 more specifically on Hydro's proposed actions for the Happy Valley-Goose Bay distribution  
7 system. IOC stated that it believes that the long-term solution to the challenge faced by the  
8 Labrador communities will become clearer after Hydro has completed its study of the Labrador  
9 Interconnected system and a network addition policy has been adopted.

10  
11 The LIG acknowledged that, without other measures to deal with capacity issues, it may be prudent  
12 to proceed with these upgrades on the Happy Valley-Goose Bay distribution system and noted that  
13 the amounts involved in this proposal are not large. The LIG stated that in their view Hydro should  
14 also be considering options for curtailing cryptocurrency loads as an alternative to, and in  
15 conjunction with, the proposal to prioritize certain loads. The LIG submitted that a comprehensive  
16 policy framework on cryptocurrency customers is urgently required and that the present  
17 Application represents another ad hoc proposal to deal with problems caused by cryptocurrency  
18 loads.

19  
20 In its reply submission Hydro explained that the ongoing analysis of the Labrador East system  
21 identified that the system can be better configured for emergency management and this project  
22 supports that purpose. Hydro stated that this Application is directed towards providing efficient  
23 management of priority areas in the event of a power emergency and the curtailment of  
24 cryptocurrency loads is not relevant in this matter. Hydro explained that it would be proposing this  
25 project in the absence of any cryptocurrency customers and even if the Muskrat Falls to Happy  
26 Valley Interconnection project was approved and constructed. According to Hydro the emergency  
27 management capability that the project provides is prudent and aligned with Hydro's obligation to  
28 provide least-cost, reliable service.

## 29 **Board Findings**

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31  
32 The proposals in the Application arise from Hydro's investigation of alternatives to minimize  
33 customer impacts should there be a loss of generation or transmission supply to the Happy Valley-  
34 Goose Bay distribution system. This work was part of a larger exercise undertaken to ensure the  
35 provision of reliable service in Labrador East in 2018-2019 as directed by Order No. P. U. 9(2018).  
36 IOC raised no objection to the proposed capital expenditures and the LIG acknowledged that,  
37 without other measures to deal with capacity issues, it may be prudent to proceed with the upgrades  
38 to the Happy Valley-Goose Bay distribution system.

39  
40 The Board accepts Hydro's position that the emergency management capability that the project  
41 would provide is prudent and aligned with Hydro's obligation to serve. The Board is satisfied that  
42 the proposed capital expenditures would assist in minimizing customer impact in the event of a  
43 loss of generation or transmission supply by facilitating better emergency management of the  
44 Happy Valley-Goose Bay distribution system. The Board notes that Hydro advised that it would  
45 propose these system upgrades irrespective of the presence of cryptocurrency customers or the  
46 completion of the proposed Muskrat Falls to Happy Valley Interconnection project. The Board

1 finds that the proposed 2018 supplemental capital expenditure to upgrade the Happy Valley-Goose  
2 Bay distribution system is reasonable and necessary to ensure the continued provision of safe and  
3 reliable electricity supply to Hydro's customers and should be approved.  
4  
5

6 **IT IS THEREFORE ORDERED THAT:**  
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- 8 1. The proposed capital expenditure to upgrade the Happy Valley-Goose Bay distribution  
9 system at an estimated capital cost of \$195,400 is approved.  
10  
11 2. Hydro shall pay all expenses of the Board arising from this Application.

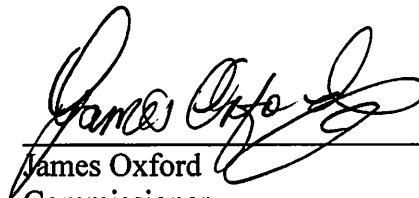
**DATED** at St. John's, Newfoundland and Labrador, this 24<sup>th</sup> day of September, 2018.



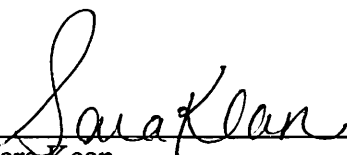
Darlene Whalen, P. Eng., FEC  
Chair & CEO



Dwanda Newman, LL.B.  
Vice-Chair



James Oxford  
Commissioner



Sara Kean  
Assistant Board Secretary